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 **Latest release**

Labour Costs, Australia methodology

Reference period 2015-16 financial year

Released 10/08/2017

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Explanatory notes

Introduction

1 This release contains statistics from the Major Labour Costs (MLC) survey, which is a sample survey of employers conducted for the 2015-16 financial year. The survey is designed to obtain information from employers about the main labour costs incurred as a consequence of employing labour.

2 The MLC survey collects data on the following labour cost components:

- employee earnings;
- employer-funded contributions to superannuation;
- payroll tax;
- workers' compensation costs; and
- fringe benefits tax.

3 Costs were measured on a cash accounting basis, net of any reimbursements, subsidies or rebates.

Concepts, sources and methods

4 Descriptions of the underlying concepts of MLC statistics, and the sources and methods used in compiling these estimates are presented in [Labour Statistics: Concepts, Sources and Methods](https://www.abs.gov.au/ausstats/abs@.nsf/mf/6102.0.55.001) (<https://www.abs.gov.au/ausstats/abs@.nsf/mf/6102.0.55.001>) (cat. no. 6102.0.55.001).

Reference period

5 The reference period covered by the collection was, in general, the 12 months ending 30 June 2016. Where businesses were unable to supply information on this basis, an accounting period for which data can be provided was used for data other than those relating to employment estimates.

6 The reference period for fringe benefits tax is for the 12 months ending 31 March 2016.

7 Although financial estimates relate to the full twelve months of the reference period, employment estimates relate to the last pay period ending on or before 30 June 2016.

8 Financial data incorporate all units in scope of the MLC survey that were in operation at any time during the year.

Scope and coverage

9 The scope of the survey consisted of all employing businesses in Australia (private and public sectors), except:

- members of the Australian permanent defence forces;
- enterprises primarily engaged in agriculture, forestry and fishing (except for public sector);
- employees of private households;
- employees of overseas embassies, consulates, etc.; and
- employees based outside Australia.

10 Also excluded are the following persons who are not regarded as employees for the purposes of this survey:

- employees on workers' compensation who are not paid through the payroll;
- directors who are not paid a salary;
- proprietors/partners of unincorporated businesses;
- self-employed persons such as subcontractors, owner/drivers, consultants;
- persons paid solely by commission without a retainer; and
- employees paid under the Australian Government's Paid Parental Leave Scheme.

Survey design

11 A sample of approximately 7,000 employer units is selected from the ABS Business Register (ABSBR) to ensure adequate representation of the population. The statistical unit for the survey comprises all the activities of an employer in a particular state or territory based on the Type of Activity Unit. For further information on the statistical unit see paragraphs 12 to 19.

ABS Economic Units Model

12 The Economic Units Model is used by the ABS to determine the structure of Australian businesses and other organisations. The model consists of:

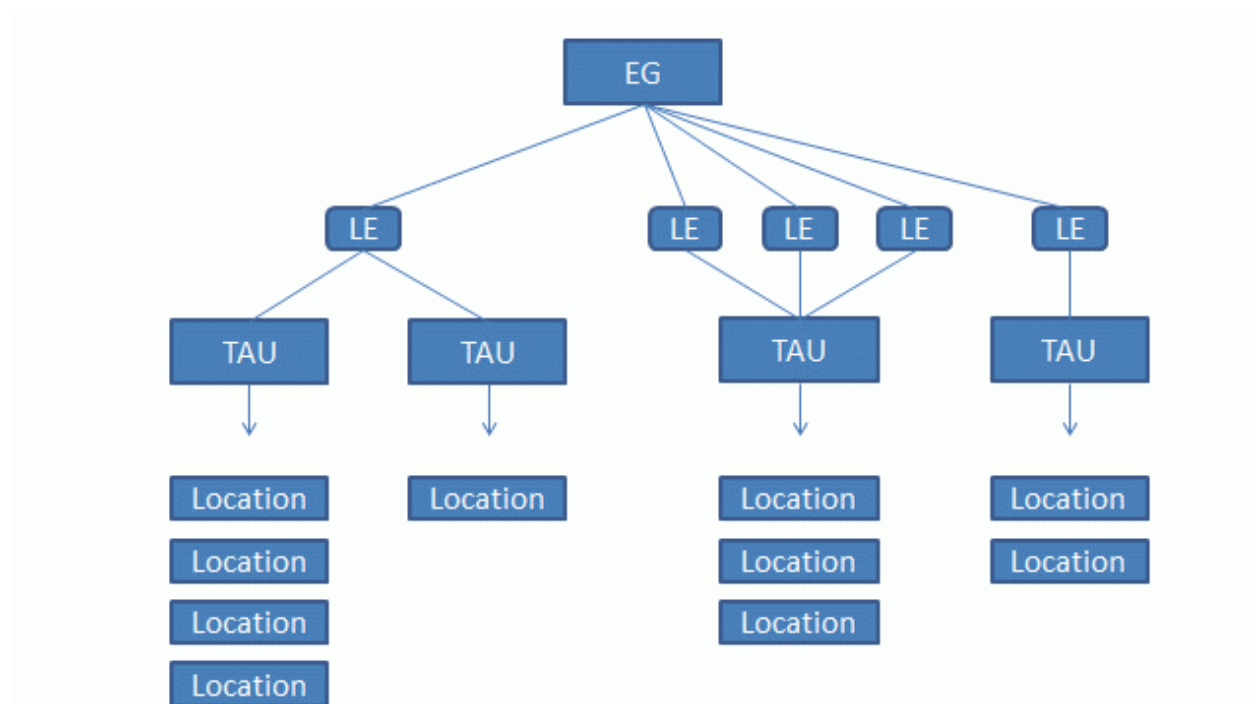
- The Enterprise Group (EG)
- Legal Entities (LEs)
- Type of Activity Units (TAUs)
- Location Units.

13 The EG and LE are institutional units and the TAU and Location are producing units.

14 The LE and the TAU are the main institutional and producing units used by the ABS to produce statistical outputs.

15 Diagram 1 illustrates the nature of the relationships between the different units within the model.

1. Diagram 1: ABS Economic Units Model



* The legal entity (LE) statistical unit is generally equivalent to a single Australian Business Number registration

Unit definitions

16 The Legal Entity (LE) is an institutional unit covering all the operations in Australia of an entity which possesses some or all of the rights and obligations of individual persons or corporations, or which behaves as such in respect of those matters of concern for economic statistics. Examples of legal entities include companies, partnerships, trusts, sole (business) proprietorships, government departments and statutory authorities. Legal entities are institutional units. In most cases the LE is equivalent to a single Australian Business Number (ABN) registration.

17 The Enterprise Group (EG) is an institutional unit that covers all the operations within Australia's economic territory of legal entities under common control. Control is defined in Corporations legislation. Majority ownership is not required for control to be exercised.

18 The Type of Activity Unit (TAU) comprises one or more Legal Entities, sub-entities or branches of a Legal entity that can report productive and employment activities. TAUs are created if accounts sufficient to approximate Industry Value Added (IVA) are available at the Australian and New Zealand Standard Industrial Classification (ANZSIC) subdivision level.

19 A Location is a producing unit comprised of a single, unbroken physical area from which an organisation is engaged in productive activity on a relatively permanent basis, or at which

the organisation is undertaking capital expenditure with the intention of commencing productive activity on a relatively permanent basis at some time in the future.

Classification of units

20 Various classifications are applied to the units in the ABS Economic Units Model. The main classifications applied are:

- Australian and New Zealand Standard Industrial Classification (ANZSIC)
- Type of Legal Organisation (TOLO)
- Type of Business Entity (TOBE)
- Standard Institutional Sector Classification of Australia (SISCA)
- Public / Private classification

21 ANZSIC is used to classify the industry in which the TAU has productive activity. Further information on this classification can be found in [Australian and New Zealand Standard Industrial Classification \(ANZSIC\), 2006 \(https://www.abs.gov.au/ausstats/abs@.nsf/mf/1292.0\)](https://www.abs.gov.au/ausstats/abs@.nsf/mf/1292.0) (cat. no. 1292.0).

22 SISCA provides a framework for dividing the Australian economy into institutional sectors. Further information on this classification can be found in [Standard Economic Sector Classifications of Australia \(SESCA\), 2008 \(https://www.abs.gov.au/ausstats/abs@.nsf/mf/1218.0\)](https://www.abs.gov.au/ausstats/abs@.nsf/mf/1218.0) (cat. no. 1218.0).

ABS Business Register

23 The ABSBR is a list of businesses and organisations operating in Australia and is based on the Australian Business Register (ABR). Organisations are included on the ABR when they register for an ABN. The Commonwealth government requires all government departments and agencies to make use of the ABR to reduce government imposed reporting load, and to use the ABN as the primary reference number for all dealings between government and business. The ABSBR is used to create frames for the various business surveys run by the ABS.

24 The results of these statistics are based, in part, on ABR data supplied by the Registrar to the ABS under A New Tax System (Australian Business Number) Act 1999 which requires that such data is only used for the purpose of carrying out functions of the ABS. No individual information collected under the Census and Statistics Act 1905 is provided back to the Registrar for administrative or regulatory purposes. Any discussions of data limitations or weaknesses is in the context of using the data for statistical purposes, and is not related to the ability of the data to support the ABR's core operational requirements. Legislative requirements to ensure privacy and secrecy of the data have been followed. Only people

authorised under the Australian Bureau of Statistics Act 1975 have been allowed to view data about any particular firm in conducting this survey. In accordance with the Census and Statistics Act 1905, results have been confidentialised to ensure that they are not likely to enable identification of a particular person or organisation.

25 It is not practicable for the ABS Economic Units Model to be applied to all ABR registrants and it is therefore organised into two parts: the profiled population, and the non-profiled population.

26 Profiled Population: Businesses and other organisations which are considered sufficiently complex and significant, are profiled according to the Economic Units Model. These enterprise groups typically have multiple legal entities, multiple TAUs and are among the largest contributors within industries.

27 Non-Profiled population: Businesses and other organisations with less complex structures. They are regarded as an enterprise group with a single legal entity and a single TAU in accordance with the Economic Units Model. Information for units in the non-profiled population is largely sourced from the ABR.

28 The two populations are mutually exclusive and cover all organisations in Australia which have registered for an ABN.

General notes on estimates

29 Care should be taken when comparing estimates in this release with estimates from previous MLC releases. The MLC survey is designed to produce an accurate 'snapshot' of data at a point in time. It should not be used to compare estimates over time, due to factors such as changes in methodology, accounting standards and sample composition.

30 Information about the main costs incurred by employers as a consequence of employing labour is used for many purposes including monitoring the cost of labour, wage determination, and for employment, prices and income policy development. In addition to MLC, the ABS produces earning statistics from a number of different sources (both household and employer surveys) which provide a wide range of data for a variety of purposes. The decision on which data to draw upon depends on the purpose and type of analysis to be undertaken. For further information on these other sources, please refer to the feature article [Understanding Earnings in Australia Using ABS Statistics](https://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/6310.0Main%20Features5August%202013?opendocument&tabname=Summary&prodno=6310.0&issue=August%202013&num=&view=) (<https://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/6310.0Main%20Features5August%202013?opendocument&tabname=Summary&prodno=6310.0&issue=August%202013&num=&view=>) published in [Employee Earnings, Benefits and Trade Union Membership, Australia, August 2013](https://www.abs.gov.au/ausstats/abs@.nsf/mf/6310.0) (<https://www.abs.gov.au/ausstats/abs@.nsf/mf/6310.0>) (cat. no. 6310.0).

Rounding

31 Where figures have been rounded, discrepancies may occur between totals and the sums of the component items.

Related publications

32 The following publications contain related information:

- [Australian Labour Market Statistics \(https://www.abs.gov.au/ausstats/abs@.nsf/mf/6105.0\)](https://www.abs.gov.au/ausstats/abs@.nsf/mf/6105.0) (cat. no. 6105.0);
- [Characteristics of Employment, Australia \(https://www.abs.gov.au/ausstats/abs@.nsf/mf/6333.0\)](https://www.abs.gov.au/ausstats/abs@.nsf/mf/6333.0) (cat. no. 6333.0);
- [Employment and Earnings, Public Sector, Australia \(https://www.abs.gov.au/ausstats/abs@.nsf/mf/6248.0.55.002\)](https://www.abs.gov.au/ausstats/abs@.nsf/mf/6248.0.55.002) (cat. no. 6248.0.55.002) - issued annually;
- [Labour Force, Australia \(https://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0\)](https://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0) (cat. no. 6202.0) - issued monthly; and
- [Labour Statistics: Concepts, Sources and Methods \(https://www.abs.gov.au/ausstats/abs@.nsf/mf/6102.0.55.001\)](https://www.abs.gov.au/ausstats/abs@.nsf/mf/6102.0.55.001) (cat. no. 6102.0.55.001).

Technical note - sampling error

Reliability of estimates

1 As the estimates in this release are based on information relating to a sample of employers, rather than a full enumeration, they are subject to sampling variability. That is, they may differ from the estimates that would have been produced if the information had been obtained from all employers. This difference, called sampling error, should not be confused with inaccuracy that may occur because of imperfections in reporting by respondents or in processing by the ABS. Such inaccuracy is referred to as non-sampling error and may occur in any enumeration whether it be a full count or a sample. Efforts have been made to reduce non-sampling error by careful design of questionnaires, detailed checking of returns and quality control of processing.

2 The sampling error associated with any estimate can be estimated from the sample results. One measure of sampling error is given by the standard error which indicates the degree to which an estimate may vary from the value which would have been obtained from a full enumeration (the 'true value').

3 Another measure of the sampling error is the relative standard error (RSE), which is obtained by expressing the standard error as a percentage of the estimate. The RSE is a useful measure in that it provides an immediate indication of the sampling error in

percentage terms, and this avoids the need to refer also to the size of the estimate. RSEs for the published earnings estimate for sector and states and territories are shown in the tables below.

Relative Standard Errors, sector, 2015-16

Earnings	
	%
Private Sector	1.5
Public Sector	0.3
Australia	1.2

Relative Standard Errors, states and territories, 2015-16

Earnings	
	%
New South Wales	2.6
Victoria	2.5
Queensland	2.2
South Australia	2.9
Western Australia	2.7
Tasmania	2.6
Northern Territory	2.3
Australian Capital Territory	3.9
Australia	1.2

4 To illustrate, the estimate of earnings during 2015-16 for New South Wales was \$219.1 billion. The RSE of this estimate is shown as 2.6%, giving a standard error of approximately \$5.7 billion. Therefore, there are two chances in three that a full enumeration would have given an estimate in the range of \$213.4 billion to \$224.8 billion and about 19 chances in 20 (i.e. a confidence interval of 95%) that it would be in the range \$207.7 billion to \$230.5 billion.

Glossary

Show all

Earnings

Total employee remuneration during the reference year, regardless of the form of remuneration. This comprises:

- gross wages and salaries;
- the value of salary sacrificed (excluding fringe benefits tax);

- the ungrossed value of fringe benefits provided by employers through arrangements other than salary sacrifice;
- severance, termination and redundancy payments.

Gross wages and salaries is net of amounts reimbursed for employees on government employment programs. Workers' compensation payments paid through the payroll and fringe benefits tax paid by employers are excluded from earnings.

Fringe benefits

Non-cash benefits provided to employees in respect of employment. Examples include use of a work car, car parking, entertainment, housing, a low interest loan, or health insurance costs. These benefits may be provided through salary sacrifice or other arrangements. Employer contributions to superannuation for an employee (including through a salary sacrifice arrangement), when paid to a complying superannuation fund, are not considered to be fringe benefits.

Fringe benefits tax

A tax paid by employers on fringe benefits they provide to their employees, including their employees' family. Exemptions apply to some categories of employers (e.g. certain not-for-profit organisations) and certain benefits (e.g. laptop computers). Estimates of the un-grossed value of fringe benefits (a component of earnings) and fringe benefits tax both relate to the year ended 31 March.

Gross wages and salaries

Payments to employees before tax and other items (such as employee contributions to superannuation) are deducted, and comprise:

- payments for time worked
- payments for time not worked (such as annual, sick and other leave, and public holidays)
- leave loading payments.

Gross wages and salaries includes:

- amounts paid from interstate or overseas
- ordinary time and overtime earnings
- over-award payments
- penalty payments, shift and other remunerative allowances
- retainers and commissions paid to employees who received a salary
- bonuses and similar payments
- payments under incentive, piecework or profit sharing schemes
- advance and retrospective payments

- salaries and fees paid to company directors and members of boards who received a salary.

Gross wages and salaries excludes:

- reimbursements of expenses, e.g. travel, entertainment, meals, etc.
- drawings from profits by directors or office holders
- salary sacrifice amounts
- wages and salaries reimbursed under government employment programs
- workers' compensation payments paid through the payroll.

Payroll tax

Employers whose wage and salary payments reach a specified level, as defined in each state or territory's payroll tax legislation, are liable to pay this tax. Employers may claim exemptions for some categories of employees. In addition, certain types of organisations are exempt from payroll tax. The types of organisations that may be exempt, depending on the state of operation, include religious, not-for-profit, health care, educational and state and local government organisations.

Salary sacrifice

Salary sacrifice is an arrangement between an employer and an employee, where the employee agrees to forgo part of their pre-tax salary or wages in return for benefits. Common types of salary sacrifice arrangements include pre-tax contributions to superannuation funds and novated leases for motor vehicles.

Sector

Public sector organisations comprise Commonwealth and state/territory government organisations, local government authorities, public corporations, universities, non-profit institutions controlled by the government, government marketing boards, legislative courts, municipal authorities and other state authorities. All remaining entities are classified as private sector businesses.

Severance, termination and redundancy payments

Costs incurred by employers on resignation, retirement, retrenchment or disablement of an employee.

Superannuation

Employer contributions to superannuation funds on behalf of employees. Contributions by employees, or employer contributions under salary sacrifice arrangements, are excluded.

Workers' compensation

Workers' compensation costs comprise, in general, the costs of insurance premiums paid plus any other costs not reimbursed by insurers. Premium rates are usually determined by considering the industry of the employer and the employer's previous claims history. Non-reimbursed costs may vary depending on the legislation which applies in each state, but can include wages and salaries, other costs such as medical and legal costs, and lump sum settlement payments. In addition, most states and territories allow very large employers to self-insure where, except in extreme circumstances, workers' compensation costs are borne by the employers. The direct costs of self-insurance are included in the estimates of workers' compensation costs in this publication.

Quality declaration

Institutional environment

1 For information on the institutional environment of the Australian Bureau of Statistics (ABS), including the legislative obligations of the ABS, financing and governance arrangements, and mechanisms for scrutiny of ABS operations, please see [ABS Institutional Environment \(https://www.abs.gov.au/websitedbs/d3310114.nsf/4a256353001af3ed4b2562bb00121564/10ca14cb967e5b83ca2573ae00197b65\)](https://www.abs.gov.au/websitedbs/d3310114.nsf/4a256353001af3ed4b2562bb00121564/10ca14cb967e5b83ca2573ae00197b65).

Relevance

2 This release contains statistics from the Major Labour Costs (MLC) survey, which is a sample survey of employers conducted for the 2015-16 financial year. The survey is designed to obtain information from employers about the main labour costs incurred as a consequence of employing labour.

3 MLC estimates are a key input to the gross domestic product components of the Australian National Accounts. Outputs are also used by a range of users in monitoring the cost of labour, in wage determination, and for employment, prices and income policy development.

Timeliness

5 The Major Labour Costs survey is conducted irregularly, with the last publication being for the 2010-11 financial year.

Accuracy

6 Information for the MLC survey is collected via web form questionnaires from a sample of approximately 7,000 employers selected from the ABS Business Register. The employer sample selected is stratified to ensure adequate representation of the population.

7 There are two principal sources of error in surveys, sampling error and non-sampling error. Non-sampling error arises from inaccuracies in collecting, recording and processing the data. Every effort is made to minimise non-sampling error by the careful design and testing of questionnaires, detailed checking of the reported data and direct follow up with providers where significant errors are detected.

8 Sampling error occurs when a sample or subset of the population is surveyed rather than the entire population. One measure of the likely difference resulting from not including all of the population in the survey is given by the standard error. There are about two chances in three that a sample estimate will differ by less than one standard error from the figure that would have been obtained if the whole population had been included in the survey.

Coherence

9 Descriptions of the underlying concepts of MLC statistics and the sources and methods used in compiling these estimates are presented in [Labour Statistics: Concepts, Sources and Methods](https://www.abs.gov.au/ausstats/abs@.nsf/mf/6102.0.55.001) (<https://www.abs.gov.au/ausstats/abs@.nsf/mf/6102.0.55.001>) (cat. no. 6102.0.55.001).

10 Care should be taken when comparing estimates in this release with estimates from previous MLC releases. The MLC survey is designed to produce an accurate 'snapshot' of data at a point in time. It should not be used to compare estimates over time, due to factors such as changes in methodology, accounting standards and sample composition.

11 In addition to MLC, the ABS produces earning statistics from a number of different sources (both household and employer surveys) which provide a wide range of data for a variety of purposes. The decision on which data to draw upon depends on the purpose and type of analysis to be undertaken. For further information on these other sources, please refer to the feature article [Understanding Earnings in Australia Using ABS Statistics](https://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/6310.0Main%20Features5August%202013?opendocument&tabname=Summary&prodno=6310.0&issue=August%202013&num=&view=) (<https://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/6310.0Main%20Features5August%202013?opendocument&tabname=Summary&prodno=6310.0&issue=August%202013&num=&view=>) published in [Employee Earnings, Benefits and Trade Union Membership, Australia, August 2013](https://www.abs.gov.au/ausstats/abs@.nsf/mf/6310.0) (<https://www.abs.gov.au/ausstats/abs@.nsf/mf/6310.0>) (cat. no. 6310.0).

Interpretability

12 The estimates from the MLC survey are only available as original series and are not seasonally or trend adjusted.

13 The reference period covered by the collection was, in general, the twelve months ended 30 June 2016. Where businesses were unable to supply information on this basis, an accounting period for which data can be provided was used for data other than those relating to employment counts. As a result, the estimates can reflect trading conditions that prevailed in periods outside the twelve months ended June 2016.

14 Labour Costs, Australia (cat. no. 6348.0) contains Explanatory Notes, a Glossary and a Technical Note which provide further information about data sources, terminology and other technical aspects of the series.

Accessibility

15 Labour Costs, Australia (cat. no. 6348.0) is available electronically from the ABS website.

16 No further data breakdowns are available other than what is published on the ABS website.

17 For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070. The [ABS Privacy Policy](https://www.abs.gov.au/privacy) (<https://www.abs.gov.au/privacy>) outlines how the ABS will handle any personal information that you provide to us.

Abbreviations

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ABN	Australian Business Number
ABS	Australian Bureau of Statistics
ABSBR	Australian Bureau of Statistics Business Register
MLC	Major Labour Costs
RSE	Relative Standard Error
SISCA	Standard Institutional Sector Classification of Australia
TAU	Type of Activity Unit
TOLO	Type of Legal Organisation